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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001338

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SUBJECT: VICE PRIME MINISTER SHALOM ON HIS NEW REGIONAL  
DEVELOPMENT ROLE

Classified By: Ambassador James B. Cunningham; reasons 1.4 b/d

¶1. (SBU) Summary: Ambassador met with VPM and Minister for Regional Development Sylvan Shalom on June 18 to discuss the latter's coordinating role in the GOI interministerial committee on West Bank economic development. Shalom outlined his role, which is limited at this point to trying to coordinate removal of bureaucratic obstacles to four major industrial projects on the West Bank: the German project at Jalameh, the French project in Bethlehem, the Japanese project near Jericho, and what Shalom hopes will be a joint Israeli-Palestinian-Korean tourism development on the Jordan River at Qasr al-Yahud. The Minister said he is also charged to develop or expand economic relations with Egypt, Turkey, Jordan, the Gulf States and North Africa; he asked that the USG lend a hand to the latter effort as appropriate. Noting that the Minister's portfolio also included development of the Galilee and the Negev, the Ambassador cited observations from his recent visits to Haifa, Nazareth and the Negev indicating significant alienation of Bedouin and Arab-Israelis. Shalom agreed that this was a problem and said he intended to use his Ministry's budget to begin addressing some of these concerns, in collaboration with Minister for Minority Affairs Braverman. Here, too, said the Minister, there were ample opportunities for the United States to play a helpful role. Finally, the Minister noted his upcoming visit to New York on June 24, and said that if he could arrange meetings with State, NSC and the World Bank (Zoellick), he would travel to Washington on the 25th and 26th. End Summary.

¶2. (SBU) Ambassador called on Vice Prime Minister, Minister for Regional Development, and Minister for Development of the Galilee and the Negev Sylvan Shalom on June 18. Shalom highlighted examples of the strong support Israel had received from then-Senators Obama and Clinton during his earlier stint in the GOI. The Ambassador said Israel could continue to count on strong support from the United States, though as in all close relationships, there would be plenty of occasions where we would disagree. Shalom said his experience with the U.S. Congress had led him to two specific conclusions: there was strong bilateral support for Israel, and there was strong bilateral opposition to settlements.

¶3. (C) The Ambassador asked Shalom to explain his new role as Minister for Regional Development. Shalom said he had been given a budget and the right to hire 80 staff, twice as many as the Ministry had in its earlier iteration under Shimon Peres. He said that he wanted it to become a real Ministry with well-defined responsibilities. The Minister said his current mandate focused on two broad areas: coordinating removal of bureaucratic obstacles to progress on major industrial development projects in the West Bank, and cultivation of more robust economic/commercial relationships with other countries in the region, ranging from North Africa to the Gulf. He explained that he was the "motor" for the interministerial committee on West Bank development chaired by the Prime Minister. Shalom said his mission was to identify opportunities and problems, and to take the decisions of the committee and make sure that they were

implemented, coordinating removal of bureaucratic obstacles raised by other ministries. He said that work was thus far (the Committee has met once) limited to supporting progress on the German industrial zone in Jalameh, the French IZ in Bethlehem, the Japanese IZ near Jericho, and a joint Israeli-Palestinian-South Korean tourism development at Qasr al-Yahud (putative site of Jesus' baptism).

¶4. (C) The Ambassador interjected that there were many other policy tools Israel could use to give the Palestinians more room for economic growth in the West Bank. He cited a more open labor policy for Palestinian workers in Green Line Israel, elimination of double taxation of Palestinian firms doing business both in Israel and the West Bank, improvements on movement and access in the West Bank, more permits for business people to travel to Israel, and elimination of dual-use import restrictions for known businesses. While some of these things needed to be done carefully, the Ambassador said, they all would have a direct, positive impact on West Bank economic growth and on support for the Palestinian Authority. He pointed to the impact that recent relaxations of movement and access restrictions were already having on ability of Palestinians to move cargo and engage in other productive activities.

¶5. (C) Shalom said these were all worth exploring and committed to working with the USG, as he was doing with Quartet Representative Blair and UN Senior Coordinator Serry. He pointed out that some of these issues might require U.S. policy support, adding that, as important as they might be, economic policy tools could not substitute for real progress on the peace process as a whole. Shalom said it was urgent

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that negotiations resume, and if the PA doesn't think it is worth talking to Netanyahu, they would lose nothing by giving it a try and then, if the effort seemed unfruitful, saying it had been unfruitful and stepping away from it. Shalom said if PM Fayyad does not want to talk to Netanyahu, then perhaps the USG could "encourage him to talk to me; here, there, publicly, privately, it doesn't matter." The Ambassador responded that the U.S. is telling the PA that it should not put up barriers to discussion, and should regard PM Netanyahu's speech as a list of negotiating goals, not a list of preconditions to negotiation.

¶6. (SBU) Turning to Shalom's role as Minister for Galilee and Negev development, the Ambassador highlighted his recent visits to Haifa, Nazareth and the Negev. He outlined U.S. educational support activities in communities in these peripheral regions, and expressed concern at the evidence of minority alienation, especially in these outlying areas. Shalom agreed that this was a problem, and said he had a number of ongoing and prospective programs aimed at addressing the issues raised by the Ambassador. He said his staff would send the Embassy a list of GOI projects so we could better assess where we could collaborate with his officials and support the mutual goals of our respective programs. The Ambassador passed Shalom a message from the head of Ben Gurion University in Be'er Sheva, noting her keen interest in meeting with the Minister to discuss Negev development. Shalom said he had done his undergraduate work in economics and accounting at Ben Gurion, and looked forward to meeting her. He added that he would really like to establish a university of similar caliber in the Galilee, though he was facing resistance from existing universities.

¶7. (SBU) In response to the Ambassador's question about how Shalom's role compared to that of Minister for Minority Affairs Braverman, Shalom explained that Braverman was the GOI's "Ambassador" to the Arab community, focused on Arab-Israeli issues writ large, but that he had no budget. He said he would be meeting with Braverman on June 21 to coordinate work and develop project ideas that could be supported from his Ministry's funds. He conceded that there were some turf issues that would have to be managed. The

Ambassador asked if Shalom considered himself responsible for the issue of unrecognized Bedouin villages and implementing the Goldberg Report (calling for the GOI to address Bedouin concerns). Shalom replied that Braverman had the lead on the subject, although he would be involved as well given his responsibilities for the Negev.

18. (SBU) The Minister said he would be traveling to New York to give a speech on June 24, and hoped to visit Washington later that week to meet with State, NSC and World Bank officials. (Note: Embassy and NEA/IPA have already been in contact to set up appropriate meetings. End Note).

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